





### German unions face up to tough battle in 1997 wage round

## Employers balk at the price of pay

The pay of an employee in 8,000 engineering companies comes under discussion today as German labour unions and employers meet to kick off the 1997 wage round.

Mr Werner Stumpfe, president of Gesamtmetall, the engineering employers, flagged the importance of the talks, claiming they are about "whether our wage agreements will be compatible with the world market, or whether in the next four to five years we will no longer have wage contracts in the engineering industry that have any meaning". His criticisms reflect acute concern about Germany's wage costs which are among the highest in the world.

The two sides are meeting at an unusually tense time, marred by strikes over proposed cuts to sick pay by 20 per cent and forecasts by employers, of 150,000 job losses in the sector by Christmas.

Mr Stumpfe even said he was "not optimistic" that they could reach agreement at all.

Mr Dieter Humdt, the president-designate of BDA, the federation of German employers, and Mr Hans-Olaf Henkel, the outspoken president of BDI, the federation of German industry, have both added their concerns over German competitiveness.

At stake is not just a percentage rise in wages and a list of work rules and benefits. The employers are also beginning to question the system itself, under which each industrial sector agrees its own regional wage deals. This system is one of the pillars of Germany's system of industrial relations.

Gesamtmetall is still reeling from the 1995 wage round, when Bavarian engineering employers accepted a deal leading to an 11 per cent rise in wage costs over two years.

The deal which triggered a row within Gesamtmetall and its regional affiliates, led a number of companies to leave the federation in protest. Others are licking their wounds deciding to wait and see whether the negotiators can do better this time. Gesamtmetall is under heavy pressure to compensate for last year's disaster. It wants a zero increase in wage costs, made up of a wage increase in line with inflation and offsetting cuts in sick pay and fringe benefits. It also asks for opt-out clauses for companies in financial difficulties.

IG Metall, the engineering union, is asking for 4.5 to 5 per cent, but would accept a trade-off where wages would rise by 2 per cent, with the rest of the money to be invested into new jobs.

Mr Klaus Zwickel, president of IG Metall, said the wage round would determine whether Germany became "a banana republic", where the relations between employers and employees were determined by brute market forces and not by a binding set of rules.

"Whoever wants to get rid of regional industry-wide labour contracts should not be surprised if individual companies come under pressure," he warned. In the recent row over sick pay IG Metall reminded employers of its power, when it forced Daimler-Benz, Germany's largest company, into an embarrassing climb-down through informal walk out strikes at some of Daimler's car plants.

Smaller companies are even more vulnerable to pressure by the world largest trade union, a threat still widely seen as the main reason for a company to become a member of Gesamtmetall. But Mr Stumpfe and other employer representatives fear that the price of membership in terms of wage costs could outweigh the advantages, especially at a time when companies are beginning to shift production outside Germany.

Gesamtmetall wants to make the system more palatable through opt-out clauses to relieve companies in

Germany's wage levels compared



financial trouble from the strictures of the labour contract. However, IG Metall has so far opposed opt-out clauses in principle.

One of the few positive signals is the continued respect the two opponents still have for each other. An example of their deal-making instincts came this week when they agreed a temporary truce in the row over sick pay by deferring

the highly controversial issue to the wage round.

But Mr Stumpfe knows from past experience that a deal with IG Metall is usually perceived as a victory for IG Metall. This perception is especially common among Gesamtmetall's own members, and the reason why many are having second thoughts.

Wolfgang Münchau

## Bonn's goal for budget under threat

By Peter Norman in Bonn

The German government's hope of keeping the federal budget deficit below DM70bn (\$46bn) this year is under threat because privatisation proceeds are likely to fall far below the DM9bn envisaged for this year.

In a report to the budget committee of the Bundestag, the lower house of parliament, the finance ministry admitted yesterday there was little chance that planned sales of stakes in Lufthansa, the national airline, Postbank, the postal savings bank, a Frankfurt-based property company and Autohahn Tank & Rast, which runs motorway services, would be completed by the end of this year.

Mr Karl Diller, budget spokesman of the opposition Social Democrat party, who publicised the report, said the government would be left without DM1.7bn from the Lufthansa sale and DM3.1bn the sale of just under 75 per cent of Postbank. Problems surrounding the planned sale of 72.65 per cent of the Frankfurt housing company, will also leave a hole in the expected DM4bn from the sale of property companies.

The sales detailed by Mr Diller are held up by disputes which the finance min-

istry has no power to settle. The sale of Bonn's 36 per cent holding in Lufthansa can only go ahead if it can be guaranteed that 51 per cent of the airline stays in German hands. However, the draft law to achieve this has run into problems with the European Commission.

The Postbank sale depends on agreement by the post office, to let the bank use post office counters to provide its services.

The sale of the property company cannot go ahead because the minority shareholders - Hesse and Frankfurt - have yet to finalise their positions.

The finance ministry said it was too soon to say whether the federal government would have to borrow more than DM70bn this year because the deficit level would depend on factors besides privatisation.

There is one consolation for Mr Theo Waigel, the finance minister. If the privatisations go through in 1997, they will help reduce general government debt next year. That might enable Germany to meet the Maastricht treaty criterion limiting debt to no more than 60 per cent of gross domestic product and so fulfil all the conditions to become a founder member of EU economic and monetary union.

## Aznar assailed on 'dirty war'

By Tom Burns in Madrid

Socialist MPs yesterday accused Mr José María Aznar, Spain's prime minister, of attempting to muzzle his predecessor, Mr Felipe González. They say he is doing this by letting senior members of his ruling centre-right Popular party publicly link the Socialist leader with an undercover war against suspected Basque separatists that left 28 dead or injured in the 1980s.

Facing hostile questioning from Socialist party deputies, Mr Aznar steered a middle course in what has become the most inflammatory issue in domestic politics. He did not disown members of his government who have levelled charges against Mr González but did not endorse them.

Warning the Socialist party to "be careful about talking about certain things", Mr Aznar said he preferred to look to the future rather than the past. He said the only thing clear in the affair was that his government bore no responsibility for organising and funding an undercover war.

The careful balancing act left the "dirty war" issue open with suspicion remaining over the former prime minister. Several prominent members of the previous administration have been indicted by judges probing the undercover war and the Supreme Court is due to decide before the end of this year on whether to question Mr González over GAL, the shadowy organisation that fought Eta, the Basque separatist group.

Mr González, who lost power to Mr Aznar in the general elections last March after nearly 14 years in power, recently caused a stir when he said state terrorism had not taken place while he was in office because the victims claimed by GAL were insignificant when compared with the 900 victims claimed by Eta.

## Spanish PM faces twin challenge on regional funding

By David White in Madrid

Barely two weeks after settling a new regional funding scheme, Spain's centre-right government faces challenges to its plan from two diametrically opposite quarters - its Socialist enemies in poor Extremadura and its regionalist allies in wealthy Catalonia.

An unprecedented vote yesterday by Extremadura's regional parliament to stage a referendum on the issue followed a warning

by Mr Jordi Pujol, the Catalan president, that he would be seeking a more radical change for his region once the new five-year scheme had run its course.

The new arrangement, under which regions will automatically control 30 per cent of the income tax revenues collected on their territories, was drawn up largely to satisfy the demands of Mr Pujol's party, whose votes are needed to keep the Popular party government in power.

Mr Pujol was dissatisfied with the way the previous scheme, based on a 15 per cent tax allocation alongside other transfers from central government, and subject to fixed ceilings, worked out for Catalonia.

To avoid a revolt by some PP regional leaders, the government had to build into its reform a system of guaranteed minimums for the poorer regions which have lower tax revenues. However, Socialist-governed Andalusia, Cas-

tilla-La Mancha and Extremadura have so far rejected the new arrangement.

Mr José María Aznar, prime minister, has accused the Socialists of jeopardising these regions' economic interests in the attempt to score political points, and has argued that all regions stand to gain under the new funding rules.

Mr Juan Carlos Rodríguez Ibarra, Socialist president of Extremadura, won backing yester-

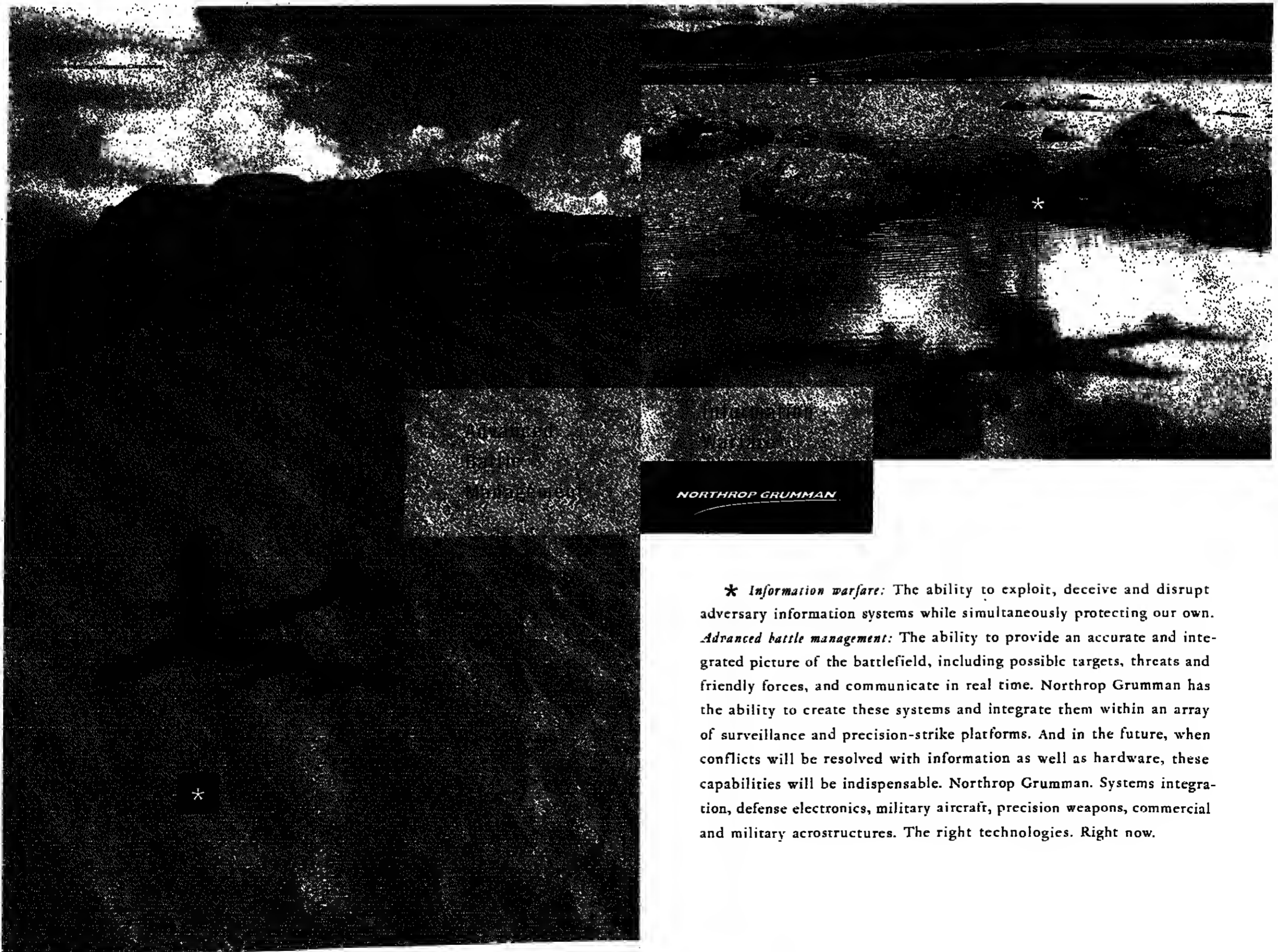
day from Communists and regionalists to call a referendum. He has consistently opposed a system based on a set share of taxes, seeking more solidarity between regions.

Mr Pujol said he recognised that the new system marked a "political success" but said Catalonia should go further and eventually seek full control of its taxes. This would mean a "fiscal pact" such as the arrangement granted to the smaller regions of the Basque

country and Navarre in recognition of ancient privileges.

The timing of the proposal highlighted Mr Pujol's desire to keep his distance from the PP government, just as his party is set to nudge the government's 1997 budget through parliament later this month.

A cartoon in the daily El Mundo yesterday poked the situation succinctly. "The Pope can govern without his appendix...", it said, "but not the PP".



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NEWS: WORLD TRADE

Italian pasta makers challenge US duties

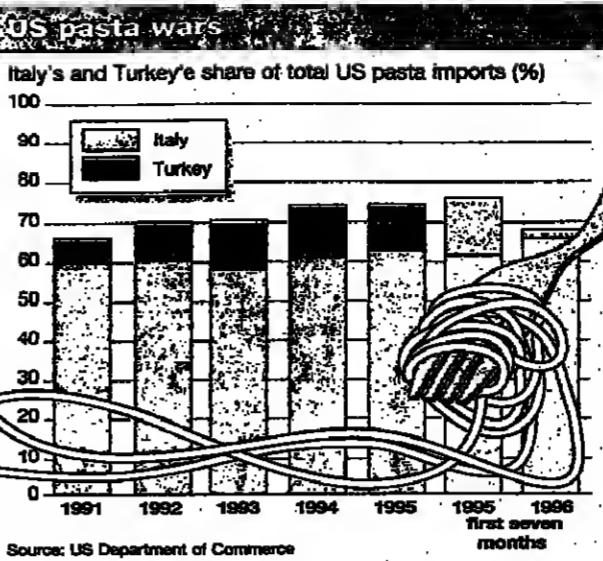
By Anne Coussart in Washington

Italian pasta producers this week launched an appeal against a US Commerce Department investigation which led to duties being placed on their exports to the US.

International Trade in New York against duties imposed on seven companies for dumping - selling at prices considered to be unfairly low under US law.

The anti-dumping and subsidy cases to raise all pasta prices in the domestic market. The Italian companies also argue that increasing competition, higher prices for American durum wheat and greater US costs for advertising were behind the original action.

"We feel the commerce department understated the level of dumping and subsidies for certain of the companies. Some of the margins should have been higher. They did not countervail some subsidies that were there, or calculated dumping margins that were too low," he said.



Italy's and Turkey's share of total US pasta imports (%) Source: US Department of Commerce

EU rethink on cotton import duties

By Jenny Luesby

The European Commission has opened a second investigation into whether to impose anti-dumping duties on imports of cotton fabrics, after nine of the 15 EU member states indicated they would not accept the findings of its first inquiry.

Last year, Europe imported around 250,000 tonnes of untreated cotton fabric, but it only produced 95,500 tonnes, down 13 per cent on the 1990 production figure of 109,000 tonnes.

World air freight fleet is forecast to double

By Charles Batchelor, Transport Correspondent

Demand for air freight is expected to grow at a faster rate than passenger traffic over the next 20 years, leading to a doubling in the size of the world fleet of freighter aircraft, Boeing says in its 1996 World Air Cargo Forecast.

A squeeze on profits in the passenger sector has led airlines to focus on the possibility of earning revenues from their cargo holds. Cargo revenues account for an average 16 per cent of total international airline revenues but exceed 30 per cent for some airlines.

By region, the fastest growing market over the next 20 years will be within Asia, where cargo traffic is expected to rise by 9 per cent a year. Other top growth routes are Asia to North America, with projected growth of 8 per cent a year, Europe to Asia, with 7.4 per cent, and Europe to North America, with 7 per cent.

Central America plans trade bloc with Caricom

By Canute James in Kingston

The Caribbean Community (Caricom) and the Central American common market are to begin talks on combining the two trade blocs. The talks are expected to conclude by next July.

minister, believes an agreement between Caricom and the Central American common market will be good for both groups. "The Caricom and Central American countries are at the same stage of economic development, and have similar economic problems. An enlarged market which a free trade agreement will bring will assist both sides."

the entire hemisphere by the year 2005 on their small and open economies. "This free trade agreement we are seeing with the Central Americans will strengthen not only the economies of the countries involved, but will give business and industry a better chance of surviving in the wider free trade area which will be created in nine years," said Mr Maraj.

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TECHNOLOGY

Victoria Griffith looks at how new treatments for tuberculosis are being developed

Switched-on defences



The sharp end: a little boy is vaccinated against TB in a 1942 clinic

Makers, would be safer than today's attenuated or modified bacteria, which run a greater risk of becoming active in the body. This is just one gene that produces one enzyme characteristic of the disease, says Vincent Zurawski, president of Apollon. It's not nearly as dangerous. In the UK, Stanford Rook is using bacteria rather than genes but its approach aims to treat the disease rather than seeking preventative measures as in a traditional vaccine. The widely used BCG vaccine uses a live micro-bacterial strain, but the UK company's SLR173 product is derived from a microbe that can stimulate the immune system when it is dead. In a nutshell, it works by switching the immune system to working in the right way to fight the organism. It is like ensuring you do not launch a cavalry attack when you are under threat from submarines, says the com-

pany. Results from trials are due in February and the company hopes to be marketing the product in 1998. Most of the tuberculosis research is expected to take several more years, at least to bear fruit. Yet scientists and public health officials are watching developments closely, not just for progress in tuberculosis, but in other infectious diseases as well. The reason this work is so important is that if we manage to crack TB, it could have important implications for how we address drug-resistant strains of other diseases," says Zurawski. "Antibiotic resistant forms of strep throat [a bacterial infection] and other diseases have sparked renewed interest in this area. It's a big new area."

Additional reporting by Andrew Baxter. An article on dealing with the side-effects of older TB treatments will be published soon.

With old drugs increasingly important against new, resistant strains of tuberculosis, pharmaceutical companies are scrambling to come up with novel treatments. In the US, Merck, and three small biotechnology companies - Pathogenesis, Apollon and Cubist - are among those tackling the problem. In the UK another small company, Stanford Rook Holdings, is making progress with its treatment. While research efforts are in most cases at an early stage, public health officials and the medical world can be expected to follow developments closely. The resurgence of tuberculosis in New York in the early 1990s cost the city \$1bn, according to its health department, mostly in extended hospital stays for patients. By the 1970s the disease was considered all but conquered in the developed world. Even if infection occurred, it could be successfully treated with isoniazid, discovered in the 1950s. The AIDS epidemic changed that. With their weakened immune systems, AIDS patients were easy targets for the tuberculosis bacteria. Those that received treatment often did not complete their antibiotics - which lasts six months. That gave the disease an opportunity to mutate and new, drug-resistant strains emerged. Worldwide, tuberculosis is expected to kill about 30m people this decade. Experimental treatments take

a number of forms. One close to market is a version of the drug most commonly used before isoniazid hit the scene - rifampin, or rifampicin as it is called in the UK. A new derivative, made by Pathogenesis from a chemical used to produce doll's hair, is engineered to be more potent than isoniazid. Because treatment will be shorter, researchers hope patients will be more willing to complete the course and the bacterium will have less opportunity to build defences. "But this product won't solve the problem since many strains of TB are probably already resistant to it," says Kendall Stover, who runs the tuberculosis effort at Pathogenesis. "What's needed is a completely novel approach." One problem is that tuberculosis is notoriously difficult to work with in the laboratory. Most bacteria form colonies in a laboratory setting within hours; tuberculosis takes days. To speed up the research, Pathogenesis loaded the tuberculosis bacteria with a gene from fireflies to make infected cells glow. Scientists monitored the fluorescence of animal organs to see if their drugs were having any effect. "If it stopped glowing, we knew it had worked," says Stover. The firefly experiments led Pathogenesis to a key discovery about the way isoniazid works. It was already known that isoniazid is converted to a toxic substance by an enzyme the bacteria produce; catalase. Scientists had theorised for years that the drug-

resistant strains of the disease had simply stopped producing catalase. However, they were puzzled about how the bacteria could survive without the substance, which forms a key defence against the body's immune system. The answer, it seems, is that the new drug-resistant strains put out another enzyme that takes over the function of catalase: alkyl hydroperoxidase. Pathogen's scientists believe that if they can use alkyl hydroperoxidase in the same way they used catalase, a new generation of tuberculosis drugs will be born. Cubist's research will be particularly important, although it is not yet clear what the target will be. Another important development in tuberculosis research is the DNA vaccines championed by Merck and Apollon. Traditional tuberculosis vaccines are a modified form of the bacteria itself. DNA vaccines work differently. Tuberculosis produces proteins which the body comes to recognise as a signal to attack. The new vaccines would administer a single gene to patients to produce these same proteins ahead of time. The immune system, in theory, would then be briefed to eliminate the bacteria before infection occurred. "The drug educates the body's immune system to recognise cells bearing those proteins as foreign and offensive," says Margaret Liu at Merck. "So if infection occurs, the immune system is ready." The DNA vaccines, say their

Worth Watching - Vanessa Houlder



Pictures beamed live to your seat

Airlines are investing in ever-more sophisticated technology for in-flight entertainment. After experimenting with everything from video on demand to electronic gambling, they are turning their attention to live television. Next summer Continental Airlines, the US carrier, plans to offer live television programmes from DIRECTV, the US direct broadcast service. The system uses technology originally developed by Harris Corporation for defence communications. It uses an antenna system that receives signals from three satellites simultaneously. A distribution system decodes each channel and delivers the signal to the passengers' seats. Harris Corporation: US, tel 407 7276514; fax 407 7297246.

A mite of help for common allergies

The increasing incidence of asthma and eczema is often blamed on the prevalence of house-dust mites - whose droppings are a common allergen - in centrally heated homes. Getting rid of these mites tends to be a herculean task, requiring frequent vacuuming of mattresses, washing of curtains and even the replacement of carpets with wooden or vinyl floors. An alternative approach has been developed by Protec Health, which makes bedding nets impregnated with permethrin, an insecticide, to fit over mattresses. Research by the London School of Hygiene and Tropical Medicine has shown that the nets can kill the mites that live in mattresses for up to two years. Protec Health: UK, tel 0131 226 1529; fax, 0131 467 6464.

Protec Health: UK (0)1285 850900; fax (0)1285 850552

A clearer picture of surveillance

Most surveillance equipment is based on analogue closed-circuit television. But digital systems have important advantages because they preserve the fidelity of the original image, no matter how far it is transmitted. Moreover, they make it possible to automate tasks such as counting people and reading vehicle number plates. The snag is that the equipment, which is usually PC-based, tends to be expensive. Indigo, an Edinburgh-based company, has cut the costs of digital surveillance technology by developing a system that connects cameras direct to computer network without requiring a host PC. Its VideoBridge is a networked image processor that allows video from any camera connected to a network to be displayed on any PC or workstation. Indigo: UK, tel (0)131 440 5400; fax (0)131 440 5401.

Hearing aids plug into a new loop

A retired sound engineer has designed a device that could improve the effectiveness of hearing aids in public places. It uses the switch that is fitted in most hearing aids to improve the quality of sound transmitted over the telephone. It disconnects the microphone and allows an induction loop in the hearing aid to link with an induction loop in the telephone. Induction loops are also fitted in some buildings, but they do not work well when there are multiple sources of sound. Hearing Enhancement, a recently formed company that is raising funds through an offer for subscription, believes that its "mini-loop" overcomes these problems. It is an induction loop system that enhances sound quality in a small area, such as a reception desk or check-out area. The system, which can be fitted to furniture or carried around in a case, costs £250. Hearing Enhancement: UK, tel (0)131 226 1529; fax, (0)131 467 6464.

Focus on everyday issues

The European Union's research and development spending should be focused more closely on addressing social problems affecting people's everyday lives. That is the Commission's main conclusion in a consultation paper intended to open debate on the Fifth Framework Programme for R&D, which will take over from the Ecu13.1bn (510.6bn) fourth programme at the end of 1995. The paper puts forward three priority topics within the general

theme of "research at the service of the people": ● Unlocking the resources of the living world - studying the fundamental mechanisms of biology, for application to human health, food production and environmental protection. ● Creating a user-friendly information society - creating new technology for easier access

to information and education. ● Promoting competitive and sustainable growth - developing design, production and manufacturing techniques, particularly in energy, transport and agriculture. There are also three "horizontal activities" to take place across the whole of science and technology:

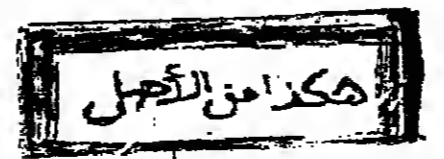
- Enhancing human potential - improving the training and mobility of scientists in universities and industry. ● Involving more small and medium-sized enterprises - giving them better access to research through simplified procedures and better technology transfer mechanisms. ● Increasing the international

role of European research. The Commission will publish a formal proposal for the programme early next year, taking account of responses to the discussion paper and submissions by national governments. Meanwhile the fourth programme continues to issue new calls for research proposals. The table below, updated every three months in the FT, is a guide for those interested in taking part.

European Union research and technology grants

Table with columns: Date/OJ Reference, Due date, Value Ecu m, DG, Contact fax/Email. Lists various grant categories like Information Technology, Telecommunications, etc.

VENTURE '96 FORUM EUROPE. London, 4 - 6 December 1996. Includes speakers list, sponsors (Price Waterhouse, SJ Berwin & Co, etc.), and an enquiry/registration form.



FINANCIAL TIMES SURVEY

Thursday October 10 1996

# TAIWAN

## A new generation comes to the fore

With the transition to democracy now complete, Taiwan must now chart a new course for the future, writes Laura Tyson

**W**hen Taiwan celebrates its national day today, school children will, for the first time, no longer be required to march in parades carrying placards of the Chinese republic's founding father, Dr Sun Yat-sen.

When Taiwanese high school graduates take the gruelling three-day college entrance examinations next summer, they will be the first graduating class not to be tested on Dr Sun's teachings along with the usual topics of maths, science, history and literature.

These are but a few of the indications that, at a time when Chinese nationalism is on the rise in China and Hong Kong, patriotism's historical appeal is fading in Taiwan, a country which capped a decade-long transition from military rule to democracy with the popular election of its president last March.

is not much we can do," he says.

Hence, although foreign relations initiatives are still very much on the agenda, the emphasis has shifted.

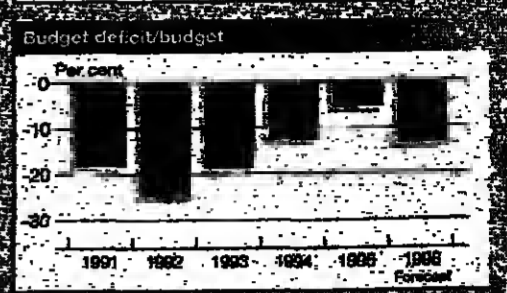
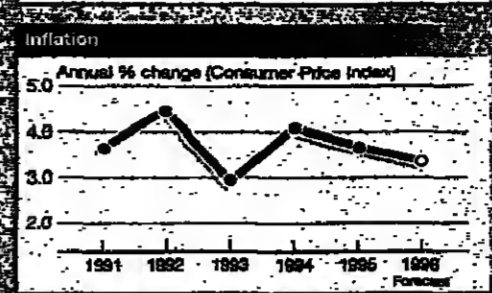
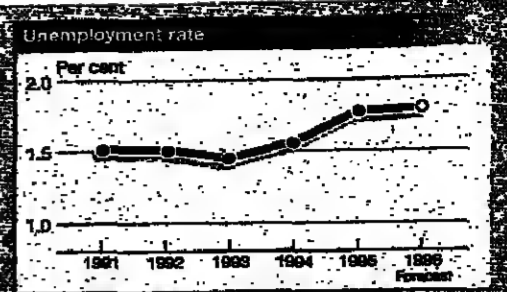
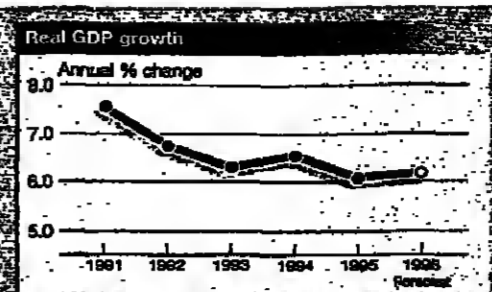
"Our society is changing, people are expanding their horizons and opening up to new ideas, socially, artistically and otherwise," Mr Su says. "We realise that we now have a rare window of opportunity of nearly two years during which there will be no elections, when the government can concentrate on domestic restructuring."

This effort includes liberalising the economy, the financial markets and the education system; revising anachronistic laws; streamlining government operations and cutting down the bureaucracy; privatising state enterprises and services; and increasing international trade, transport and communication links as well as joining international bodies such as the World Trade Organisation.

"Most of the world has been misled that there is only one China and that China is the PRC. But Beijing and the entire world must accept the reality that China was divided in 1949 so 'one China' does not exist; it is an ideal. In the past tense and in the future tense, but not in the present tense."

He vowed to continue the overseas trips which have so irritated China, and advised Beijing to "get used" to such excursions. Taiwan has come a long way since the days of Dr Sun Yat-sen.

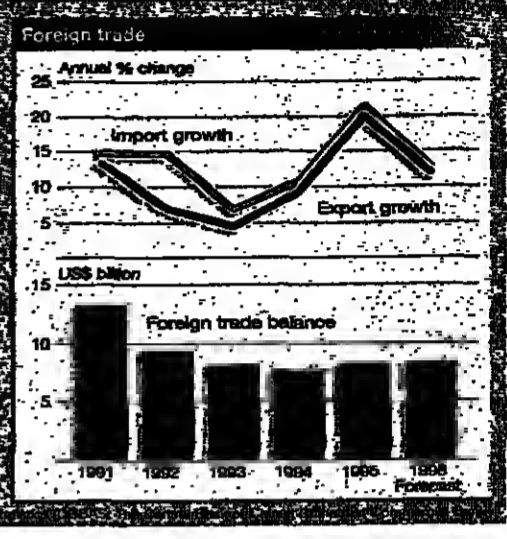
Where it goes from now rests not entirely in its own hands, but judging from the current wave of confidence and optimism, the future should be positive.



**Economic summary**

	1994	1995
Total GNP (US\$bn)	243.9	263.6
GNP per capita (US\$)	11,982	12,498
Exchange rate, average (TS per US\$)	26.24	27.27
Prime rate (%)	7.25	7.25
Foreign exchange reserves (US\$bn)	92.4	90.3
Merchandise exports, fob (US\$bn)	105.0	111.7
Merchandise imports, cif (US\$bn)	85.3	109.8
Balance of trade in merchandise (US\$bn)	19.7	1.9
Balance of trade in goods & services (US\$bn)	-4.6	5.9
Share of trade in goods & services (% of GNP)	7.5	7.5

GNP and trade figures at current prices



Perhaps still more telling is the absence of students joining in the many protests over the disputed Diaoyu islands since July.

In contrast, when the long-simmering sovereignty dispute flared up in the 1970s, many Taiwanese students - including some who are now senior government officials - took to the streets in protest at Japan's claim to the uninhabited rocks some 100 miles off Taiwan's north-east coast.

With the transition to democracy essentially complete, Taiwan must now chart a new course for the future, to the extent this is possible given external constraints on shaping its own destiny. The divisive debate over national identity which dominated public consciousness for many years has all but evaporated since the presidential election.

Leading up to the elections, China's tactics of military intimidation helped to forge a domestic consensus around the notion that, whatever one's political beliefs, Taiwan is not in practice part of the People's Republic of China, and is in no hurry to become so. Interestingly, Quebec's debate over secession from Canada was closely watched in Taiwan, and parallels with Taiwan's circumstances quietly observed.

It is difficult to foresee what sort of social changes Taiwan will undergo in the next two decades. What is clear is that the younger generation, many of whom have returned from sojourns in the west, are not especially interested in the inflexible political ideology of their elders, be it nationalism of a Chinese or Taiwanese flavour.

Having grown up in an environment with free access to information and far greater exposure to the outside world than their parents, they are more pragmatic and outward-looking in their views. They are proud of Taiwan's political and economic achievements and aspire to greater respect from the outside world and a better quality of life at home.

In the next year, the government must tackle pressing problems. It must strive to achieve a modus vivendi with mainland China, with whom relations have warmed only slightly since Taiwan's president, Mr Lee Teng-hui, made a private visit to the US in June 1995. It must also take on the systemic and cultural problems of government inefficiency and organised crime which are dragging down the economy, as well as carry out necessary educational, legal, judicial and constitutional reforms.

Since the watershed elections, there has been a fundamental shift in the policies of the government to reflect the realities of Taiwan's situation and aspirations of its people, says Mr Su Chi, director-general of the cabinet's information office and the government spokesman.

"Of course we want to make advances in relations with foreign countries and with China, but the domestic arena is the only one over which we have control. If the international community does not want to recognise us, if Beijing does not want to co-operate with us, there

**B**oosting the economy is also a priority. Growth was dampened by tensions with China starting in the second half of 1995 and, although the stock market staged a substantial recovery following the presidential election, the economy has not. The best way to help matters is to speed up infrastructure spending, says Mr Chiang Ping-kun, chairman of the cabinet's council for economic planning and development.

"Fewer than half of tenders have been opened on schedule due to irregularities in the bidding process, affecting over \$4bn in projects," he says, adding that he believes the economic slowdown has hit bottom.

The structure of the economy is changing quickly as it matures, from one based on manufacturing to one based on services, and from one centred on low-end consumer products to one reliant on high-technology.

To serve the emerging economic model, Taiwan's services sector must quickly upgrade to meet the demands of an ever more sophisticated market.

Relations with Beijing, which regards Taiwan as a renegade Chinese province, have shown little progress since March, when China test-fired missiles and held military exercises near the island in a bid to influence the outcome of the polls.

"We have always kept the door open to talks, but it takes two to tango," says Mr Lin Chong-pin, vice chairman of the cabinet's mainland affairs committee, referring to the quasi-official dialogue across the Taiwan strait cut off by Beijing in June 1995. "We don't think Beijing's insistence on setting pre-conditions is conducive to improving relations."

There is an uneasy ambivalence regarding economic ties, which offer opportunities as well as dangers. The government has tried to slow the tide of large-scale investments across the strait for fear of becoming overly dependent on China, advising entrepreneurs that "if their home base is not secure then whatever respect they may have received from Beijing will diminish also," says Mr Lin.

Meanwhile the drive for international recognition continues, if it is at a somewhat lower profile. "We are a new-born democracy. We deserve better treatment in the international commu-

### Through Taiwan Innovalue<sup>SM</sup> Tom Anthony finally faced his fear of foreign travel.



Composer Tom Anthony hates making trips. He is a diabetic. On planes, in restaurants or hotels he never knows how much sugar his food may contain.

Recently in Taiwan he found the perfect safeguard, the Sensorex Blood Glucose Monitor. Using ampermetric measurements, Sensorex from Metertech can analyze a pin-prick of Tom's blood in 30 seconds, storing data up to 180 times.

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The Sensorex Blood Glucose Monitor will soon be upgraded to measure cholesterol and uric acid.







ARTS



A rich mix of symbolism, melodrama, psychodrama and black comedy: Emily Watson and Stellan Skarsgard in Lars Von Trier's 'Breaking the Waves'

Cinema/Nigel Andrews

Innocence in a cold climate

With the relationship between Britain and Europe poised in what seems a permanent state of... Breaking The Waves (opening next week) seems simpler. It offers location shooting and plain, often handheld photography.

With the death of Kieslowski, Trier is now the outstanding filmmaker in northern Europe. A post-modern Bergman crossed with a new-age Welles, he throws his characters into settings that are part real, part chamber for revelation and psychodrama.

When Jan is crippled in a rig accident, the film's casual-primitivist style continues, though more and more it seems to combine innocence with an awed, faintly prurient curiosity.

Trier's new style refreshes his humanism, even if it reduces the rich layers of metaphor and metafiction we found in earlier works.

(Bess, stoned and vilified becomes a near-martyr.)

Trier is nonetheless the only European director today who could begin to get away with such a rich mix of symbolism, melodrama, psychodrama and black comedy.

While Breaking The Waves won friends at one end of this year's Cannes Film Festival, the main competition, John Sayles's over-rated Lone Star wowed the Directors Fortnight.

bad sheriff in a Texas border town who, years before, might have killed two illegal Mexican immigrants or "wetbacks".

The film is undoubtedly worthy. But so were Otto Preminger's worst blockbusters.

We are surely overdue for a consumer protection society when it comes to some Hollywood films.

pathetic ageing. Coppola brings a brave if foolhardy panache to the enterprise and may even have intended some cunning satire.

BREAKING THE WAVES Lars Von Trier

LONE STAR John Sayles

JACK Francis Ford Coppola

THE WIND IN THE WILLOWS Terry Jones

YIDDLE WITH HIS FIDDLE Joseph Green

schoolboy with a cellular malfunction which makes his body grow faster than his mind.

In The Wind In The Willows, opening next week, the cream of British performing comedy is poured over Kenneth Grahame's fable with fair-to-pleasant results.

Franksy, though, the Alan Bennett/Nicholas Hytner National Theatre staging has spoilt us for just about everything else.

With the posthumous Hamburg premiere of Alexander Zemlinsky's last opera, composed almost 60 years ago, an era has been rounded off.

Opera of dark, suggestive ironies

The Zemlinsky revival continues in Hamburg, reports David Murray

phony, his brilliant little opera after Oscar Wilde's Birthday of the Infanta (seen at Covent Garden), and his string quartets.

Other operas have been appearing on CDs, but King Candaules (based on Gide's play Le roi Candaule) had to wait until now for its orchestral completion.

But Candaules is strangely drawn to Gyges: soon he is urging him to use the ring so that he can watch Nyssia undressing for bed, and then to take Candaules' own place with her overnight.

admiration. The scoring is beautiful and often surprising, with many "oriental" touches - like Zemlinsky's Der Kreidekreis just earlier, but unlike it a full-blooded opera.

The Hamburg Opera had Gerd Albrecht, a Zemlinsky devotee, as conductor, and a strong team of Gyges' flatterers and hangers-on.

INTERNATIONAL ARTS GUIDE. AMSTERDAM: Concertgebouw Tel: 11-20-6718345. ATHENS: Athens Concert Hall Tel: 01-7282333. BERLIN: Concertgebouw Tel: 1-303-640-2793.

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Japan: this exhibition examines the impact of photography on Japanese contemporary arts. DUBLIN: National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711888. HELSINKI: Amos Anderson Art Museum Tel: 358-0-640221.

Baroque, Romanticism and late 19th century painting. HONG KONG: Concert Hall/HKCC Tel: 852-27342809. LONDON: Barbican Hall Tel: 44-171-6384141. NEW YORK: Alice Tully Hall Tel: 1-212-875-5050.

OPERA: Royal Opera House - Covent Garden Tel: 44-171-2129234. MADRID: Auditorio Nacional de Música Tel: 34-1-3370100. NEW HAVEN: Yale University Art Gallery Tel: 1-203-432-2800.

edition of this international film festival; to Oct 13. PARIS: Musée d'Orsay Tel: 33-1 40 49 48 14. SYDNEY: Art Gallery of New South Wales Tel: 61-2-2251700.

Dance Full of Eastern promise. In its venturesome efforts to illustrate the global diversity of contemporary dance, The Place Theatre, that tireless host to choreographic activity from Europe and beyond, has instead frequently succeeded in laying bare the standardisation which pervades every aspect of modern, urban culture.













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COMPANIES AND FINANCE: ASIA-PACIFIC

Australian insurers warned on banks' role

By Nikki Tait in Sydney

Australia's general insurance industry must face up to rationalisation as the big commercial banks move into a market that is already over-served, Standard & Poor's, the US ratings agency, has warned.

There are already signs of this happening, with Sydney-based St George Bank pursuing plans to apply for a life insurance licence, and the larger Westpac group looking at the marketing of home contents packages.

likely to accept poor performance, given pressures at home and opportunities abroad," S&P said.

Expansion into the growth markets of south-east Asia would be one possibility - a route which has already attracted a number of the larger companies. AMP Society, Australia's biggest life office, has moved into Indonesia, while QBE, which focuses on general insurance and reinsurance, has established operations across the region.

The US ratings agency suggested the short-term underwriting outlook remained satisfactory, with underwriting cycles likely to be shorter and milder as more discipline became necessary in the face of a low-inflation environment, volatile investment returns and more rigorous accounting standards.

Thai banks rebuild after excesses of the past

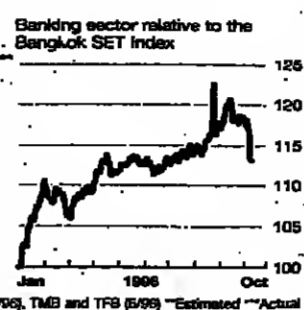
Sitting in his majestic new headquarters overlooking the Chao Phraya river, Mr Banthoon Lamsam is pleased. "I'm glad I got this building finished," the president of Thai Farmers Bank says. "Because nobody is going to build a building like this in Thailand for a long time."

all of the large commercial banks, he says, provisioning levels are healthy, capital adequacy is strong, loan-to-deposit ratios are comfortable, exposure to the property sector has fallen, and the central bank is sharpening its regulatory tools.

Margins can be determined, but only after the fact. And the facts are changing. For the past few years, banks have been padding their profits and margins with cheap overseas funds.

Lending lines

Table with columns: Figure as % of, Non-performing loans, Total loans, Cumulative provisions, Doubtful loans, Property & construction loans, Total loans. Rows include Bangkok, Krung Thai, Thai Farmers Bank, etc.



help, margins on baht loans being much higher than those on dollar loans. "But small banks are more vulnerable," says one analyst, noting their smaller deposit base, less diverse loan book and lower level of provisioning.

"Short-term profits are the least of our concerns," says Mr Banthoon. Bangkok Bank executive vice-president Mr Satit Uthairi says 1996 earnings growth should be about 8 per cent, after 13 per cent in 1995.

Yesterdays the bank released an unaudited balance sheet showing net profit ahead 17 per cent quarter-on-quarter, and an improvement on the 15 per cent profit growth in the first half of the year.

Japanese TV loses cosy glow in digital world

An onslaught of new media has awoken a protected industry



Japanese television viewers have long been restricted to a fairly uninspired staple of variety shows, soap operas, sports programmes and historical dramas offered by large TV networks in a highly protected industry.

With the start of multi-channel digital broadcasting, terrestrial commercial TV stations could see their share of the market slip to 67 per cent by 2010, the Ministry of Posts and Telecommunications estimates.

gramming. "There is concern that there may not be enough demand; that going into satellite broadcasting will not be profitable enough and that there won't be enough software to supply the growing number of channels," says Mr Hieda.

Dragonair listing delayed by a year

ASIA-PACIFIC NEWS DIGEST

Dragonair listing delayed by a year

Dragonair, the Hong Kong regional airline, is not expected to be listed until the end of 1997, according to the carrier's shareholders. The initial plan envisaged a stock market listing by the end of this year or early 1997.

US bank reveals TNT stake

Bankers Trust, the US-based investment bank, yesterday revealed it had increased to 19.99 per cent its stake in TNT, the Australian transportation company which is the subject of a \$2.2bn (US\$1.6bn) friendly bid from the Dutch KPN group.

Takeda Chemical approval

Takeda Chemical Industries, the Japanese drugs maker, has won approval to use leuplin, its prostate cancer drug, for treatment of pre-menopausal breast cancer and uterine fibroids, benign tumours in the uterus.



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THURSDAY OCTOBER 1988

# Pakistan facility may be increased

By Peter Montague  
Asia Editor

Pakistan's latest bid for a \$100m oil import facility led ANZ Bank to increase its credit limit to \$150m. The bank's credit limit for Pakistan has been increased and the country's creditworthiness is being reassessed. The bank's credit limit for Pakistan has been increased and the country's creditworthiness is being reassessed. The bank's credit limit for Pakistan has been increased and the country's creditworthiness is being reassessed.

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Dollar becomes becalmed after yen rumours

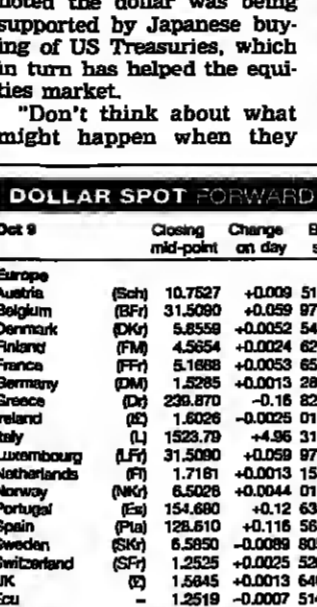
MARKETS REPORT By Richard Adams

The dollar strengthened against the yen in overnight trading yesterday after rumours that the Japanese and US governments were happy to see the dollar appreciate against the yen.

from DM1.8272. It rose a quarter of a cent against the Swiss franc, in spite of rumours - also denied - that Mr Boris Yeltsin, the Russian president, had died. It closed up at \$F1.9235, from \$F1.9200.

The dollar may see more action tomorrow, when US retail sales and producer price numbers for September will give an indication of the strength of economic activity and of inflationary pressures.

According to one poll, analysts expect on average a rise of 0.3 per cent in producer prices last month compared with August and a 0.3 per cent rise in retail sales.



at NatWest Markets in London, described the dollar's progress as a "slow upward crawl".

stop," Mr Aspinall said. Sterling's gains against the D-Mark came in the wake of the publication of the minutes of the September 4 meeting between Mr Kenneth Clarke, the UK Chancellor, and Mr Eddie George, governor of the Bank of England.

"The minutes show the chancellor continuing to turn a deaf ear to the governor's increasing calls for monetary tightening," Mr Davies said.

Table titled 'POUND SPOT FORWARD AGAINST THE POUND' showing exchange rates for various currencies like Australia, Belgium, Denmark, etc.

Table titled 'DOLLAR SPOT FORWARD AGAINST THE DOLLAR' showing exchange rates for various currencies like Australia, Belgium, Denmark, etc.

Table titled 'OTHER CURRENCIES' showing exchange rates for currencies like Canadian Dollar, Hong Kong Dollar, etc.

WORLD INTEREST RATES

Table titled 'MONEY RATES' showing interest rates for various countries like Belgium, France, Germany, etc.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for Euro currency instruments.

Table titled 'GROSS RATES AND DERIVATIVES' showing exchange rates for various currencies like Belgium, Denmark, etc.

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Table titled 'THREE MONTH EURO CURRENCY FUTURES' showing futures prices for various currencies.

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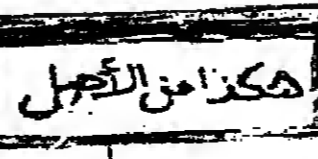
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Continuation of Investment Trusts sector table.

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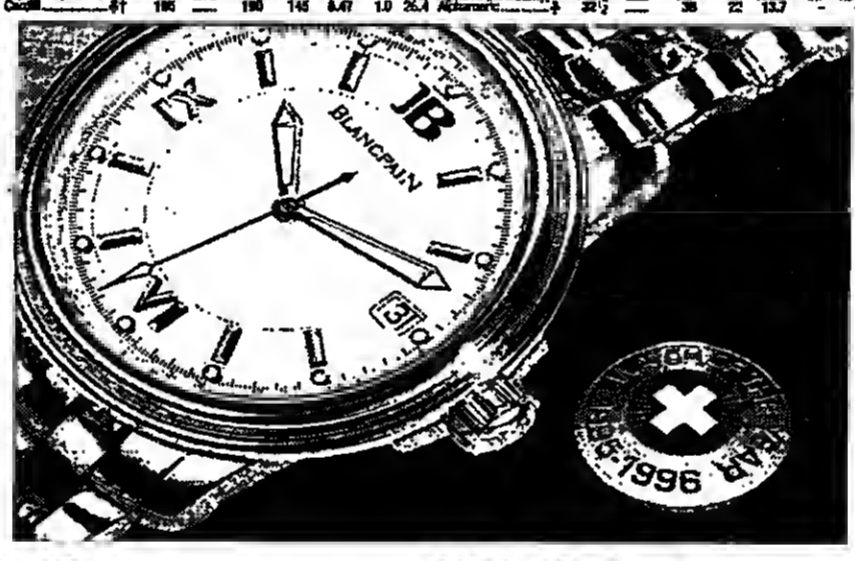
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PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

AIM

Table listing AIM companies with columns for Name, Price, and % Change.

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AIM

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GUIDE TO LONDON SHARE SERVICE

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Company specifications are based on those used for the FTSE Actuaries Share Indices.

Dividends are shown in pence unless otherwise stated. High and low are based on the 52-week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column only as a guide to yield and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each firm of stock quoted.

Prices are based on the current closing share price. The NYW Index assumes price changes of 20 per cent and allow for values of declared dividends and rights.

This service is available to subscribers who share an ordinary share in the listed company for a fee of £130 a year for each security shown, subject to the Editor's discretion.

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FT Cityline. Up-to-the-second share prices are available by telephone from the FT Cityline service.



WORLD STOCK MARKETS

Highs and Lows shown on a 52 week basis

Table of stock market data for Europe, including sections for Germany, France, Italy, and the UK. Columns include stock names, prices, and percentage changes.

Table of stock market data for Asia, including sections for Japan, Korea, and Hong Kong. Columns include stock names, prices, and percentage changes.

Table of stock market data for Latin America, including sections for Brazil, Mexico, and Chile. Columns include stock names, prices, and percentage changes.

Table of stock market data for Africa, including sections for South Africa and Egypt. Columns include stock names, prices, and percentage changes.

Table of stock market data for Oceania, including sections for Australia and New Zealand. Columns include stock names, prices, and percentage changes.

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Table of market indices including DAX, Nikkei, and S&P 500, with columns for index name, current value, and percentage change.

Table of US indices including Dow Jones, S&P 500, and NASDAQ, with columns for index name, current value, and percentage change.

Table of international indices including Nikkei, Hang Seng, and others, with columns for index name, current value, and percentage change.

Table of regional indices including Australia, New Zealand, and others, with columns for index name, current value, and percentage change.

NEW YORK STOCK EXCHANGE PRICES

4 p.m. Eastern Daylight

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for NYSE, AMEX, and FT Free Annual Reports Service.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for -L-, -R-, -S-, -M-, -F-, -G-, -X-Y-Z-, -C-, -H-, -I-, -J-, -K-, -L-, -M-, -N-, -O-, -P-, -Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-, -Y-, -Z-, and -FT Free Annual Reports Service.

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